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ABSTRACT

Abstracts of 17 publications in the ERIC system concern the financing of school construction programs for new buildings, renovations, and additions. (MLF)

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FISCAL PLANNING FOR SCHOOL CONSTRUCTION

By Philip Piele and Darrell Wright

The enrollment forecasters have predicted declining enrollments in America's public schools during the 1970s, and at this point, midway through the decade, the predictions have become realities. Schools across the country are now enrolling fewer students.

For several reasons, however, the need for new school buildings still exists. The condition of the economy has caused many nonpublic schools to close, and the public schools have absorbed those students. Consolidation of small districts with larger districts often leaves small, inadequate buildings stranded in the wrong place with the wrong facilities. Also, the shifting of populations for social or economic reasons can leave empty buildings in one place and create overcrowded buildings in another.

The continual expansion of the curriculum creates new needs for more specialized facilities. Career education provides a single but illuminating example of curricular development that puts strain on older buildings designed to accommodate traditional, basic skill subjects.

When a local school district faces the need to plan a school construction program, to renovate an old building, or to add to an existing building, how is the program financed? The answer is actually a series of answers depending on the wealth of the local school district, the laws of the state, the amount of existing indebtedness, and the mood of the local taxpaying patron.

Wealthy school districts where assessed valuation provides broad tax bases and broadly distributed tax burdens may be successful in securing approval from the voters to issue general obligation bonds for school construction. Bond sales traditionally have been and remain the most frequent method to obtain funds for school construction. However,

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Fitzgibbon and Thomson say that "the conventional or historical methods of raising funds for school building have failed the task of providing either the quantity or quality of educational space required."

Part of the inadequacy is created by the variation in wealth among districts, which brings up the issue of fiscal neutrality. Fiscal neutrality means that school district spending should not be a function of local wealth. In fact, however, as Wilkerson points out, investigations have shown that school construction and debt service expenditures are widely unequal and normally are not fiscally neutral. Some new financing plans have been proposed in an attempt to meet the criteria for fiscal neutrality.

The variation among state laws provides different answers to the questions of financing school construction. Delaware provides 60 percent of school construction cost to the local district. Maryland has adopted a plan of full-state funding for all new construction of school facilities. In West Virginia, the state offers an incentive to local districts through two types of flat grants attempting to equalize dollars for poor districts.

Vermont's Capital Outlay Program uses a distribution formula to assist local districts. Pennsylvania's local school districts, as in many other states, may finance school building projects through bond issues of two types—general obligation and municipal authority bonds; but, in addition, State Public School Building Authority bonds are available.

Innovative answers to problems of financing school construction can be found in the literature. References cited below suggest several financing plans. Where state law allows and local patrons approve, school construction has been financed through state building commissions or authorities, semipublic educational construction funds, long-term lease-purchase agreements, state building corporations, commercial mortgage markets, intergovernmental cooperation, state- and/or federal-supported leasing programs, special purpose taxation districts, various forms of variable and/or equalized state grants, pay-as-you-go financing, and shared facilities.

The following sources may provide ideas and insights into both old and new ways to finance school construction. Some answers are suggested to the question of how to obtain funds at the local district level, but there is only one answer to the most fundamental question. Where does the money come from? Who pays? The taxpayer pays, no matter how innovative the method becomes, how many sources are combined, or what words are used to describe the plan.

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Barr, W. Monfort, and Jordan, K. Forbis. "Financing Public Elementary and Secondary School Facilities." In *Planning to Finance Education, National Educational Finance Project, Volume 3,* edited by Roe L. Johns, Kern Alexander, and K. Forbis Jordan, pp. 239-278. Gainesville, Florida: National Educational Finance Project, 1971. Complete document, 463 pages. ED 052 515.

This chapter reviews the National Capital Outlay Project, which surveyed legal bases, procedures, and practices related to financing public school facilities in 50 states. The solutions to financing problems can be found by increasing state and local indebtedness, raising state and local user charges and miscellaneous fees, changing state and local tax structures, or increasing federal grants-in-aid. A general overview of school construction financing includes discussion of the advantages and disadvantages of local financing and state and federal aid, leading to some general recommendations.

Barr and Jordan present several financing alternatives, all based on the concept of local control, which include variable grant programs and equalized grant programs. Each program includes the four essential elements of a financing model: the determination of needs, the allocation procedures, the use of proceeds, and the source of funds.

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Barr, W. Monfort, and others. *Financing Public Elementary and Secondary School Facilities in the United States. National Educational Finance Project, Special Study No. 7.* Tallahassee: Florida State Department of Education, 1970. 395 pages. ED 043 968.

The National Capital Outlay Project investigated the legal bases, procedures, and practices utilized by the 50 states

to provide public school construction funds. More specifically, the project generated a series of capital outlay models that could be used by the states in allocating construction funds.

The report is organized in seven chapters: postwar financing of public school facilities, public school construction finance trends, public school construction and the economy, local provisions for financing public school facilities, state provisions for financing public school facilities, federal participation in financing public school facilities, and programs for financing public school facilities.

Eight alternative financing programs are discussed, including variable grants computed on recognized project costs, combination of grants and loans on recognized project costs, state and federal loans, variable incentive grants, full-state and/or federal assumption of costs, variable grants computed on pupil or instructional units, and equalized grants for debt service programs.

Each state plan for financing capital outlay is included in the appendix.

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Bender, David R., and **Williamson, Estelle B.** "State Funding for School Construction: The Maryland Plan." *School Media Quarterly*, 2, 3 (Spring 1974), pp. 217-220. EJ 099 862.

Bender and Williamson note the accomplishments of Maryland's program of full-state funding for school construction. Achievements of the program include responding to a variety of needs, establishing standards and guidelines, sharing information, utilizing expertise, establishing cost-sharing concept, joining state and local government, and utilizing effective decision-making and research processes.

The report outlines the sequence of procedures in developing a school capital improvement project and highlights the role of the staff media people.

In summary, the authors state that the general quality of buildings has improved as a result of the full-state funding program.

Chick, Charles E., and others. "School Construction Programming in Florida, K-12." Paper presented at National Symposium on State School Finance Reform, Washington, D.C., November 1973. 96 pages. ED 084 705.

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1. Enrollment Forecasting
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This paper provides an overview of the Bureau of School Facilities of the Florida State Department of Education system. The authors identify existing and future construction needs and estimate the cost of meeting these needs for capital outlay in Florida's 67 school districts. Specifically, the paper describes the organization of the state system of public schools, the history of the capital outlay survey techniques, the Florida Inventory of School Houses, and the capital outlay sources and funding techniques for grades K-12.

Narrative descriptions and statistical data pertaining to school construction are presented in two sections: the main body describes Florida's school system organization, school plant surveys, inventory of schoolhouses, and capital outlay funding techniques; an appendix contains tables and statistics.

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Cober, John G. *Financing Pennsylvania School Buildings.* Harrisburg: Bureau of Educational Research, Pennsylvania State Department of Education, 1971. 20 pages. ED 067 745.

Pennsylvania's local school districts may finance school building projects through bond issues of three types—general obligation bonds, municipal authorities bonds, or the State Public School Building Authority bonds. This report examines which type of bonding is least expensive.

A complete analysis of each local district's financial rating, debt service, tax structure, and long-range building requirements is necessary to determine which method is best. Each of the three types has an advantage under specified conditions. Financially low-rated school districts could save with bonds from the State Public School Building Authority. And under different conditions, general obligation bonds were found to be less expensive than the local authority bonds.

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Cooper, Paul D. "Full State Funding of School Construction in Maryland: An Appraisal after Two Years." Paper presented at National Symposium on State School Finance Reform, Washington, November 1973. Annapolis: Department of Fiscal Services, Maryland State General Assembly, 1973. 101 pages. ED 084 704.

Full-state funding in Maryland means that the state pays all costs in excess of available federal funds for school construction, capital improvements, and debt interest, but excludes the cost of land acquisition.

Cooper describes the initiation of the Maryland program, traces its development, and evaluates its effectiveness.

Problem issues such as local autonomy, construction delays, increased costs, maintenance of state-financed buildings, uniform treatment of local districts, potential political polarization, role clarification, and demands on local school districts are recognized and evaluated. In Cooper's judgment, the program has been successful, though partly due to features unique to Maryland.

Facts, figures, regulations, and laws are included in tables, charts, and narrative explanations to form a complete

report on full-state funding for school construction.

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Educational Facilities Laboratories. *Guide to Alternatives for Financing School Buildings. A Report.* New York: 1971. 48 pages. ED 056 422.

This EFL report briefly describes unconventional financing methods used by local school districts to finance school construction. The methods include pay-as-you-go financing, state aid, federal aid, reducing site costs, shared facilities, nontax revenue, bond issues, and leasing. A separate, pullout chart graphically illustrates some financing alternatives, including decision-making steps used by local school districts.

The report concludes with several case studies that depict alternative financing plans in operation.

Order copies from Educational Facilities Laboratories, Inc., 850 Third Avenue, New York, New York 10022. $2.00.
Also available from EDRS. MF $0.76 HC $1.95. Specify ED number.

Fitzgibbon, James, and **Thomson, Thomas.** *Urban School Construction: A Case Study of Alternative Financing Methods for St. Louis, Missouri. A Report.* St. Louis: Urban School Building Research Institute, School of Architecture, Washington University, 1971. 76 pages. ED 067 770.

Two perspectives reside in this work: the specific review of St. Louis school construction history, development of alternative financing plans, and recommendations for future financing; and a general overview of traditional and innovative financing for school construction.

The description of traditional school construction financing plans includes property tax income, other tax income, state aid, federal aid, gifts and loans, city development sources, outside income from leasing, and long-term debt bonds.

The authors use case studies to describe innovative plans. The plans include state construction of schools to be leased to local districts, lease or rental of buildings from private companies, nonprofit building corporations, commercial loans for long-term leasing, lease by school districts of buildings financed through revenue bonds issued by cities, lease of federally constructed buildings, building commission authorized to sell revenue bonds, and special school construction taxing districts. The case studies arise from existing practices.

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Governor's Commission on Schools. *A New Design: Financing for Effective Education in Illinois. Final Report.* Springfield, Illinois: 1972. 184 pages. ED 078 555.

Part of a larger report on educational finance, this section examines finance methods for school construction currently used in Illinois school districts and alternative methods used in other states.

This examination leads to some specific recommendations to meet Illinois school construction needs: the state should provide aid for school construction, remodeling, and debt service; state aid should be a grant based on ability-to-pay criteria; the Capital Development Board should approve school construction projects; allocation for school construction should approximate $100 million annually; and local bond issues should be submitted to the local voters for approval.

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King, Irene A. *Bond Sales for Public School Purposes, 1972-73.* Washington, D.C.: National Center for Educational Statistics, U.S. Office of Education, Department of Health, Education and Welfare, 1974. 24 pages. ED 098 683.

This report provides data about the sale of bonds for financing the construction of public elementary and secondary school facilities. Issued annually by the United States Office of Education, it is for use by school administrators, board members, and those who need current school construction knowledge. Data is taken from *The Daily Bond Buyer* (New York).

In the 1973 fiscal year, 1,273 school bond elections were reported for a total of $4.0 billion, but only 719 proposals were approved for a total of 2.3 billion, or 56.5 percent approval. The number of issues approved represents a 32.7 percent increase over fiscal year 1972.

The report includes data regarding bond elections, new bond sales, and net interest rates charged to school districts.

Order copies from Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. $0.60.
Also available from EDRS. MF $0.76 HC $1.58. Specify ED number.

Meckley, Richard. "State Incentive to School Construction." *CEFP Journal,* 13, 2 (April 1975), pp. 10-11.

To provide financial incentive for stimulating local school building construction, West Virginia approved a distribution formula involving two flat grant factors and one ability factor. The ability factor recognizes local bonding potential per pupil and attempts to equalize dollars for low wealth counties.

Traditionally, bond elections in the state were only 35 percent successful. Since the state-authorized incentive plan went into operation, bond elections have been 62 percent successful. Also, school construction valued at over $78 million has been authorized.

National Educational Finance Project. *Financing the Public Schools of Delaware. A Study.* Gainesville, Florida: 1973. 320 pages. ED 083 713.

The financing of school construction in Delaware features state assumption of 60 percent of school building costs. Typically, a Delaware school district has debt leeway and can finance needed construction, though the debt burden and tax rates are not uniform.

This study reviews the Delaware school construction financing program, analyzes the fiscal consequences, and concludes that the program has been efficient and effective. Supporting evidence shows that 75 percent of Delaware students attend school in buildings constructed since 1950. This has been accomplished without severe bonded debt burdens or extremely high debt-service taxes for most local

Mark Twain School, Rockville, Md., Vosbeck-Vosbeck-Kendrick-Redinger, Architects; photo by J. Alexander

school districts.

Because enrollments are not gaining, the future is encouraging, but lump-sum appropriations, removal of barriers to competition, and more use of Department of Public Instruction facility specialists are recommended for efficiency. Finally, for improved equity, the study suggests 100 percent state funding for all school building construction.

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"1974 Cost of Building Index: Up, Up and Away." *School Management*, 18, 5 (May 1974), pp. 16, 19-33, 36-39, 56. EJ 099 373.

When planning finances for school construction, the costs are pertinent information. This issue contains the 13th Annual Cost of Building Index, which presents comprehensive cost data for school building construction in the United States.

Trends in dollars spent for public school building over two years are presented for each state, listed by elementary, secondary, new, and addition categories. One section includes the percentage of new schools and additions having specialized facilities. Trends noted are a move toward renovation and remodeling and construction increases in large districts.

Piele, Philip K. *Financing School Construction. Educational Facilities Review Series, Number 12.* Eugene, Oregon: ERIC Clearinghouse on Educational Management, University of Oregon, 1973. 10 pages. ED 071 147.

The declining trend in voter approval of school construction bond issues and the increasing costs of building materials combine to create problems for financing school construction. This review identifies pertinent issues and highlights some potential solutions found in the literature, concluding that if needed school facilities are to be built, alternative means of financing school construction must be found. Piele cites 12 bibliographic sources that may offer the reader assistance.

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Sensenbaugh, James A. "Maryland: A Case Study." *Compact*, 6, 2 (April 1972), pp. 22-23. EJ 060 441.

On July 1, 1971, Maryland accepted full fiscal responsibility for all new school facility construction in the state. This article traces a brief history of this development, describes the administration of the state law, and comments

on its effect.

One obvious advantage is the relief given to property taxpayers. Second, equality of facilities becomes a realistic potential. Disadvantages occur in the difficulties of administration and concerns over maintenance of local control.

Vermont State Department of Education. *Capital Outlay Financing.* Montpelier: 1974. 18 pages. ED 106 934.

The state of Vermont established a Capital Outlay Program in 1974 to assist local school districts with construction financing. The program requires local school districts to file short- and long-range facility needs plans with the Department of Education. The plans must be based on models developed by the Vermont Department of Education.

Formulas and procedures predetermine the maximum eligible cost for state participation on a school construction project. This maximum eligible cost is determined by applying the formulas to the approved educational specifications for the proposed project. Local districts may exceed the maximum cost, but the excess must be at their own expense.

This report contains factual data on eligibility, space requirements, and cost allowances for state participation.

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Wilkerson, William R. "Problems and Issues of Fiscal Neutrality in Financing School Construction." Paper presented at National Symposium on State School Finance Reform, Washington, November 1973. 37 pages. ED 084 685.

Fiscal neutrality for school construction, an issue raised by recent Supreme Court litigation, is a worthy goal and one seldom achieved. *Fiscal neutrality*, simply defined, means that the level of spending for a child's education may not be a function of wealth other than the wealth of the state as a whole. Investigations reveal that school construction and debt service expenditures are widely unequal among districts and typically do not meet the criteria for fiscal neutrality.

This paper discusses the issue of fiscal neutrality in relation to court decisions, analyzes five state plans for financing school construction, and presents alternative financing plans. Among the alternative plans are full-state funding, power equalizing, and the Strayer-Haig program.

Wilkerson concludes that perhaps the movement for reform will sustain sufficient momentum so that all children will enjoy the privilege of attending school in adequate facilities.

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